TFSA Investors: Enbridge (TSX:ENB) Stock Is a Buy for its Profoundly Powerful Dividend

Description

Don't look now, but **Enbridge** (TSX:ENB)(NYSE:ENB) is staging a comeback after years of treading water following the aftermath of the 2014 plunge in oil prices. The dividend was recently hiked by 10% again, as promised. With promising catalysts on the horizon, the stock could not only be on the verge of reaching its all-time highs, but the midstream player could, once again, be a market darling loved by growth and income investors alike.

But the biggest reason to pick up the stock today is its profoundly powerful dividend that's worth a heck of a lot more than meets the eye.

The real power of Enbridge's dividend

On the surface, Enbridge's dividend isn't much to write home about. It's a garden-variety 6% yield that's as a result of a fallen share price and a generous capital return program. Despite the headwinds suffered in recent years, management has continued to reward investors with double-digit dividend hikes — the normal programming, as if there were no setbacks.

Enbridge's shareholder friendliness even drew a bit of scrutiny from pundits who slammed management for not having "earned" the right to hike its dividend. Despite the financial pressures and limited wiggle room, management proceeded to keep its dividend-growth promise to shareholders, not out of hubris, but because Enbridge had a pipeline (forgive the pun) full of growth potential that would eventually come to the rescue.

Although a 6% yield is generous, Enbridge's dividend is not only safe; it's subject to massive growth over the years. So, if you consider yourself a real long-term investor, Enbridge's dividend could eventually grow to yield 10% based on your invested principal. And like a fine wine, the dividend will only become richer the longer you hold onto Enbridge stock, especially if management can continue growing its dividend at a double-digit annualized rate.

Enbridge generates very stable cash flows, and as new projects come online, the company will have the flexibility to continue rewarding investors with low double-digit or high single-digit annual dividend hikes. Should management desire to allocate more capital towards growth initiatives, income investors shouldn't fret over 7-9% dividend hikes, as such projects will surely result in tremendous capital gains and increase the likelihood of more generous hikes down the road.

The demand for such wonderful, "growthy" dividends will likely continue to surge

Should Enbridge keep posting impressive numbers, the opportunity to lock in the 6% yield will draw to a close. Moreover, as the hunt for yield in the realm of fixed-income becomes that much harder, it'll be the sustainable high yielders like Enbridge that will be subject to a bit of multiple expansion. This, combined with recent momentum and cash flow-generative catalysts that are likely to kick in by 2022, makes Enbridge a must-buy.

Although shares are at 52-week highs, there's still ample value to be had going into February. The stock currently trades at 13.5 times EV/EBITDA and 1.8 times book, all of which are substantially lower than five-year historical average multiples of 20.7 and 2.8, respectively.

Foolish takeaway

The market darling will soon regain its former status, so investors would be wise to get some skin in the game today if they haven't done so already.

Stash the stock in your TFSA, and the dividend has the potential to give you a considerable raise every single year. By the time you're ready to retire, Enbridge's dividend has the potential to become an influential part of your TFSA passive-income stream.

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